

*J. C. Penney Company*  
*A Delaware Corporation*

*Financial Statement*

*Operating One Thousand  
Four Hundred and  
Seventy Three Stores.*

*December 31, 1932.*

New York, N. Y.  
February 17, 1933.

**TO THE STOCKHOLDERS OF**

**J. C. PENNEY COMPANY:**

*The financial statement and report of operations for the year ended December 31, 1932 are submitted herewith.*

*In spite of a decrease in dollar sales during 1932 of slightly more than 10% from 1931 volume, the Company increased materially the quantity of merchandise sold and apparently added many new customers. The established policy of adjusting our retail prices coincidental with the decline in replacement costs was maintained during the past year.*

*The management during 1932 continued to direct its main efforts toward adjusting operating costs wherever possible to conform with the decrease in sales volume. Special attention was also given at all times during the year to a control of the merchandise investment to lessen, to the extent permitted by general conditions, the amount of mark-downs forced by declining merchandise prices.*

*Net profits after Preferred Stock dividends were \$3,887,382.17 for 1932. Profits for 1932 were equal to 25.51 per share on the Preferred Stock outstanding December 31, 1932 and \$1.57 per share on the No-Par Common Stock outstanding on December 31, 1932. These figures compare with 1931 profits of \$44.76 on the Preferred Stock and \$3.13 on the No-Par Common Stock.*

*Drastic reductions in commodity, primary market and labor costs have, of course, been reflected in reduced price levels of merchandise which we handle for resale and have resulted in a reduced dollar volume of business. The same factors have contributed to substantial reductions in price levels of fixed property carried by the Company as a requirement for the operation of its business. After due consideration of the economic changes being effected and the necessity of conforming our set-up to the demands of immediate and prospective competitive requirements, it was decided by your Board of Directors to adjust book values of such fixed property accounts of the Company and its subsidiaries to present day values. Revaluations, based upon available information and statistical data, have accordingly been made by the technical staff of the Company or by outside appraisal so as to revise book values to what are estimated to be present day values as to replacement costs or utility. The incidental write-downs were charged against the Earned Surplus accounts on the books of the respective Companies after giving effect to the results of 1932 operations. Depreciation and amortization for the year 1932 were therefore charged on the books of the Companies at the regular rates and against the accounts before any revaluation.*

*While such revisions of book values of investments had no effect on the Companies' operations for 1932, they will, of course, reduce the annual charges against current operations in subsequent years.*

No change is contemplated in the rates of depreciation or amortization to be applied to the properties for future years, but the rates will be applied against the adjusted values making the annual burden against future years' operations of smaller total amount.

Also, in order to bring the stated worth of the shares of No-Par Common Stock which the Company holds as Treasury Stock for resale to employees in line with current values, such stock was written down against Earned Surplus to its December 31, 1932 market value.

Cash on hand and in banks at December 31, 1932 as shown by the Balance Sheet amounted to \$22,829,971.18. It was felt by the Board of Directors that such an amount of cash was in excess of that conservatively needed for contemplated operations. It was therefore decided after consideration of the various opportunities afforded to purchase for retirement a portion of the Company's 6% Preferred Stock. Accordingly, by Treasurer's letter of January 11, 1933 an offer was made to the Preferred Stockholders of the Company to purchase a limited amount of their Preferred Stock at 103 flat (the call price being 103 plus accrued dividends). A total of approximately 96,000 shares of such stock with a par value of approximately \$9,600,000.00 has subsequently been purchased, either on the open market or from those stockholders who submitted this stock in response to our Treasurer's letter. This reduced the fixed annual dividend charges of the Company by about \$576,000.00. The amount of cash on hand and in banks and the amount of outstanding Preferred Stock as shown on the accompanying Balance Sheet are both before giving effect to this retirement.

The financial and operating position as reflected by the Balance Sheet as at the close of the year, we believe, will continue to give assurance to the stockholders of our Company.

After adjustment for the proposed Preferred Stock retirement, the ratio of current assets to current liabilities is approximately in excess of 10 to 1.

The success of the management in the effort to control the merchandise investment and to maintain a strong liquid position for the Company was attested by a reduction in excess of \$9,000,000.00 in the closing merchandise inventory as compared with the previous year. This reduction was considerably in excess of the reduction due to price decline.

It is not the purpose of this report to forecast trends for the future, but we believe the actions referred to above are warranted by present conditions and continue to leave the Company in a position to take advantage of opportunities which may arise for the further development of its business.

Respectfully submitted,

E. C. SAMS, President.

BALANCE SHEET  
AS AT DECEMBER 31, 1932

ASSETS

Cash in Banks and on Hand	\$22,829,706.97*
Merchandise — at Cost or Market, whichever is lower	<u>27,314,872.75</u>
	<u>50,144,579.72</u>
Prepaid Expenses — Unexpired Insurance Premiums, Etc.	320,355.74
Accounts Receivable, Advances, Etc.:	
Subsidiary Companies	\$ 2,224,149.10
Miscellaneous	<u>209,127.93</u>
	<u>2,433,277.03</u>
Investment in Subsidiary Companies (including Undistributed Profits) — at Book Values shown by Subsidiaries	922,700.83
Fixed Assets at Net Sound Values based on Estimated Replacement Cost at December 31, 1932:	
Land and Buildings	2,113,093.54
Less Depreciation	<u>138,831.88</u>
	<u>1,974,261.66</u>
Furniture and Fixtures, less Depreciation	5,824,951.52
Improvements to Leaseholds, less Amortization	<u>2,147,252.02</u>
	<u>9,946,465.20</u>
Treasury — 40,000 shares of Common Stock held for resale to Employees—at Market Value	<u>985,000.00</u>
	<u><u>\$64,752,378.52</u></u>

NOTE:—\*Before giving effect to proposed retirement of part of Preferred Stock issue, since

To the Board of Directors of  
J. C. Penney Company, Inc.,  
New York, N. Y.

We have examined the accounts relating to the J. C. Penney Company, Inc. as at December 31, 1932. The quantities and inventories prepared by the Company have been certified official. We have satisfied ourselves that the valuation is correct, whichever was the lower.

In our opinion, based on our examination and inspection of the accompanying Balance Sheet, it sets forth the financial condition of the Company as of December 31, 1932.

New York, N. Y.,  
February 17, 1933.

PEAT

**NEY COMPANY**  
ARE CORPORATION

**NCE SHEET  
CEMBER 31, 1932.**

**LIABILITIES**

Accounts Payable, not yet due	\$ 3,287,843.76
Reserve for Federal Income Tax	<u>814,770.90</u>
	<u>4,102,614.66</u>
Reserve for Fire Losses, Etc. and Employees Death Benefits	1,521,976.11
Reserve for Contingencies	300,000.00
Capital Stock:	
Preferred 6% Cumulative, \$100.00 Par Value:	
Authorized, \$30,000,000.00.	
Outstanding	\$19,921,500.00
Common, No Par:	
Authorized, 3,000,000 shares.	
Outstanding, 2,468,984 shares	<u>23,622,766.67</u>
Surplus (Earned)	43,544,266.67
Contingent Liabilities — None Reported.	15,206,521.08
	<u><u>\$ 64,752,378.52</u></u>

...ue, since consummated (see President's letter).

relating to the assets and liabilities of J. C. Penney  
2. The quantities and valuation of the merchandise  
have been certified to be correct by a responsible  
that the valuation was made on the basis of cost or

nimation and information furnished to us, the accom-  
financial condition of the Company at December

PEAT, MARWICK, MITCHELL & CO.

**J. C. PENNEY COMPANY**  
INCORPORATED

**Income Account For Year Ended December 31, 1932.**

(Including Profits of Subsidiaries)

Sales	\$155,271,981.19
Cost of Merchandise Sold, Selling and General Expenses	\$148,704,138.73
Depreciation and Amortization	<u>1,547,115.29</u>
	150,251,254.02
Discount on Purchases and Miscellaneous Income	5,020,727.17
Net Profit before Federal Income Tax	695,624.63
Reserved for Federal Income Tax	<u>5,716,351.80</u>
	790,048.43
Add 1932 Profits of Subsidiaries	<u>4,926,303.37</u>
Transferred to Surplus	<u>156,368.80</u>
	<u><u>\$ 5,082,672.17*</u></u>

*Note:*

*Net Income, as above	\$ 5,082,672.17
Deduct Preferred Stock Dividends Paid	<u>1,195,290.00</u>
Net Income applicable to Common Stock	<u>\$ 3,887,382.17</u>
Common Stock outstanding at end of year Shares	<u>2,468,984</u>
Earnings per share, after Preferred Stock Dividends, on Common Stock (includes Earnings of Subsidiaries)	<u>\$ 1.57</u>

**EARNED SURPLUS ACCOUNT**

Surplus at December 31, 1931	\$ 21,640,479.31
Adjustment on Conversion of Classified Common Stock	<u>20,549.02</u>
	<u>21,661,028.33</u>
Add Net Income for 1932	<u>5,082,672.17</u>
	<u><u>26,743,700.50</u></u>
Less Cash Dividends:	
Preferred Stock	\$ 1,195,290.00
Common Stock	<u>5,100,866.40</u>
	<u>6,296,156.40</u>
	<u><u>20,447,544.10</u></u>
Less Adjustments to cover Revaluations as of December 31, 1932:	
Land and Buildings	674,256.19
Furniture and Fixtures	1,859,869.62
Improvements and Leaseholds	1,401,565.07
Real Estate Purchase Contracts	<u>48,138.27</u>
	<u>3,983,829.15</u>
Investments in Subsidiaries (wholly owned), representing revaluations of their Fixed Assets	836,127.74
Write down of Treasury Stock to Market Value	<u>421,066.13</u>
	<u>5,241,023.02</u>
Surplus applicable to Common Stock at December 31, 1932	<u><u>\$ 15,206,521.08</u></u>

## *OFFICERS*

J. C. PENNEY

*Chairman of the Board*

E. C. SAMS	<i>President</i>
LEW V. DAY	<i>Vice-President</i>
W. A. REYNOLDS	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
A. J. RASKOPF	<i>Secretary</i>
R. W. TROWN	<i>Comptroller</i>

## *DIRECTORS*

J. C. PENNEY, *Chairman*

E. C. SAMS	R. H. OTT
GEO. H. BUSHNELL	G. H. CROCKER
J. I. H. HERBERT	W. A. REYNOLDS
L. W. HYER	EARL A. ROSS
LEW V. DAY	C. E. DIMMITT